

**APPENDIX A**

**HOW TO COMPLETE A SUCCESSFUL  
TAX CREDIT PROJECT APPLICATION**

## **CHECKLIST FOR ALL TAX CERTIFICATION APPLICATIONS**

- \_\_\_\_\_ 1. Include two original sets of fully completed applications with supplemental information following the instructions set forth in the booklet entitled United States Department of the Interior, National Park Service, Historic Preservation Certification Application Instructions. **Do not bind applications.**
- \_\_\_\_\_ 2. Include the name and address of the property on the application.
- \_\_\_\_\_ 3. Except for project plans or construction documents, photographs, and supplemental information, all information should be included on the application and continuation sheets following the same format as the forms shown in the booklet.

### **Application Forms:**

**Form 10-168: Part-1, Evaluation of Significance**

**Form 10-168a: Part-2, Description of Rehabilitation**

**Form 10-168b: Continuation/Amendment Sheet**

**Form 10-168c: Part-3, Request for Certification of Completed Work**

- \_\_\_\_\_ 4. Include two sets of project plans and project specifications, keyed to the application, for Part 2 or Amendments.
- \_\_\_\_\_ 5. Include two sets of unmounted conventional 35 mm color photographs, at least 3"x5" for each Part 1, Part 2, Part 3, Continuation/Amendment Sheet documenting both the interior and the exterior of the structure as appropriate. Each photograph should be labeled on the back and keyed to the application. No Polaroid photos please; digital photos are discouraged.
- \_\_\_\_\_ 6. Each application set must be signed and dated by the property owner(s).
- \_\_\_\_\_ 7. Provide e-mail addresses for the project contact and the developer/owner.

## **FILING THE PART ONE – SOME COMMON CONCERNS**

### **Federal Historic Preservation Tax Incentives Program**

Getting your certification application smoothly through the process will help get your project into service, and profitability, as quickly as possible.

The application consists of three parts: Part 1 is an Evaluation of Significance; Part 2 is a Description of the Rehabilitation; and Part 3 is Request for Certification of Completed Work. The mechanics of the process involves sending two sets of fully completed applications with two sets of 35 mm color photos, labeled on the back, showing the interior and the exterior of the building. Two sets of photos are needed for each Part 1, Part 2, and Part 3. Although it seems unnecessarily burdensome, there really is a reason why two sets of application materials are required. Tax credit applications are reviewed twice—once by the State Historic Preservation Office (SHPO) and again by the National Park Service (NPS). One set of materials is sent on to the NPS in Washington, D.C. and the other is retained by the SHPO.

Please don't overlook the guidance in the blue form itself (also on web as "instructions"). The Certification Application has very helpful and thorough instructions, and examples of how to complete the various sections.

The usual purpose of the Part 1 is to establish that a building is either a contributor to a listed National Register district or that a property not yet on the Register is individually eligible for listing. Generally, no Part 1 is required for a property that is already individually listed, unless the listing contains more than one building, such as a home and its carriage house or other outbuildings.

Buildings that are named as a contributor in a National Register district application are relatively easy to document. In most cases no additional research is necessary although the applicant should consult the district nomination, available at a California Historical Resources Information System regional center. The Part 1 should fully describe the building, both exterior and interior, and show that it basically retains its historic appearance during the district's period of significance. The applicant should also point out how the building relates to the significance of the district as a whole. For example, if the district were listed because of its historic importance as the commercial center of a community, a building's longtime use as a commercial building during the period of significance would establish that connection.

Similarly, if the district were listed because of its architectural qualities, the applicant should call out the important architectural aspects of the building that are consistent with the district's character. The Secretary of the Interior, with standards for virtually everything, has created Standards for Evaluating Significance within Registered Historic Districts: "A building contributing to the historic significance of a district is one which, by location, design, setting, materials, workmanship, feeling and association, adds to the district's sense of time and place and historical developments." When a building is not within a listed district, the task is more complex and may require hiring a professional historian or architectural historian.

For a preliminary determination for individual listing, the Part 1 application must contain essentially the same documentation of the property's integrity and significance as that required in a National Register nomination form. Although many individuals have successfully documented their property, the services of a professional historian or architectural historian may be useful when the historic values of the property are related to important events or when there may be several periods of historical significance associated with the property.

Promptly completing the Tax Certification application can be critical. Recent rulings by the Internal Revenue Service require that an owner must submit the Part 1 before a rehabilitated building is placed into service. Owners who wait to file a Part 1 until after all work is complete and the building is placed into service will not qualify for the 20% credit, unless the building is already individually listed in the Register.

And in general, it is much better to apply for the Tax Certification before starting the rehabilitation. The SHPO can provide initial guidance, and help to ensure that the project meets the Secretary of the Interior's Standards for Rehabilitation. Since extensive pre-rehab photos are required of both the building's interior and exterior, owners may not have this necessary documentation after the project is complete.

The tax credit needs to be claimed for the tax year that the building is placed into service. An owner can go back and make a claim retroactively for a qualified rehab that took place in the past, but the tax year must be an "open" one. "Open" years are usually the three years following the date a tax return is due. For instance, for the tax year 2003, tax returns are due on April 15, 2004. Thus, 2003 tax returns may be amended until April 15, 2007.

While SHPO staff can provide information regarding National Register eligibility and the Secretary of the Interior's Standards for Rehabilitation, specific tax questions should be addressed to a qualified tax professional of the Internal Revenue Service. A list of these professionals is available on the NPS Tax Incentives web site.

## **TIPS, HINTS, AND SUGGESTIONS FOR FILING YOUR PART 2 APPLICATION**

### **Federal Historic Preservation Tax Incentives Program**

The Historic Preservation Certification Application, Part 2--Description of Rehabilitation Work—must be completed by all owners of certified historic structures who want to have rehabilitations certified by the Secretary of the Interior as being consistent with a structure's historic character and, where applicable, the character of the district in which the structure is located, thus qualifying the project as a “certified rehabilitation.”

Although many individuals have successfully completed the Part 2 application for smaller properties, owners of large buildings may want to use the services of a preservation consultant who is familiar with the process and with building architecture. In any case, the application *Instructions* should always be carefully read before filling out the forms.

### **Application Form**

The Part 2 is the core of the Tax Incentives application process, as it is where the project work is described. Each feature affected and type of work proposed will be described in its own block. When describing the overall project it is helpful to use a consistent progression, such as exterior then interior, both for being inclusive in your descriptions and for the understanding of the reviewer. The sections of the Application focus on different aspects of the project.

- The cover page of the Part 2 contains important information about the owner, the building, the size of the rehabilitation, and indicates the project contact.
- The owner's original signature with date must be on both cover sheets, even if the second sheet is a photocopy. Do not photocopy owner signatures.
- Visual documentation, in the form of good photographs and drawings, is critical for the reviewer to understand both the building and the proposed work and thus help with a timely review. With all that will be invested in the project construction, this is not the place to be economical. The more confident the reviewer is in their understanding of the building and the proposed work, the faster the review.

### **Photographs and Drawings**

Photographs and drawings are key elements in ensuring a smooth and timely review.

- Prior to the start of any work, take a set of good clear 35 mm photographs of the exterior and interior, in sufficient number to document all areas to be affected by work, and submit these with your Part 2 Application. Even if you have started work, you must have a set of photos of the building before work commenced. Without such documentation the National Park Service may not be able to evaluate the effects of the work and the certification may be denied for lack of information.

- Please understand that the reviewer may not be able to see the building in person and has to rely on the submitted pictures for a comprehension of the building. Therefore, close-ups should also be accompanied by a more general view of the exterior wall or interior room, so the reviewer may understand the overall effect of the work in its larger context.
- Photos taken from two different angles also help the reviewer understand the feature and the changes that may occur from proposed work.
- Photos that are too dark or that contain too many shadows are not helpful in visualizing the features of the building. It may be necessary to use a flash or additional lighting or to come at a different time of day to photograph a feature.
- Drawings or sketches should include both floor plans and elevations, and sections where necessary. Detail should include existing wall configuration and proposed changes and if reduced, should still be easily readable.

The more concise, organized and specific the project description blocks are, the easier it will be for the reviewer to process your project in a timely manner. There is a difference between “abbreviated” and “concise” though. Telling the reviewer that “all walls will be repaired in kind,” is too abbreviated for the reviewer to understand what work will be done. Concise is “All interior walls are original plaster over wood lath. Damaged areas will be cleaned of debris, then patched with matching plaster keyed to the wood lath, and then smoothed with a finish coat.” If the work is more complicated, then be sure the description explains clearly and in sufficient detail the work to be done.

- Typically, all exterior work is described first, then the interior. For buildings with multiple floors, start with the lowest floor and then work your way up.
- All portions of the project must be described, even work that will not directly affect historic features or fabric. The entire project is reviewed, not just sections of work.
- It is also acceptable to group certain types of work such as seismic, plumbing, and HVAC for instance, as these types of retrofit can affect both the exterior and multiple interior areas.
- On the other hand, do not combine distinctive work items. It is difficult for the reviewer to cross reference work if you are describing repair of the exterior windows and then mention that interior doors will also be repaired in the same block. Even if the same carpenter is doing all the work, the windows and doors need to be described separately so the extent of the work is understood.

## **General Comments**

Remember that the Secretary of the Interior’s Standards for Rehabilitation emphasize fitting the new use to the historic building, and do not support modifying the building to serve the adaptive use. The credits are for rehabilitating the building while retaining the historically significant materials and features of the building; they are not intended for architectural improvement projects. Repair is always recommended over replacement.

Issues such as code requirements for fire exiting and ADA compliance are familiar concerns to the SHPO and NPS. They may often have advice for solutions that can

achieve a compromise between retaining historic fabric and accommodating the new requirements. The California Historical Building Code often provides latitude in meeting these types of code requirements without compromising the safety or access desired.

Wholesale replacement of character-defining features such as windows, interior doors, interior finishes, or division of characteristic interior spaces are counter to the basic concern of saving as much historic fabric and character as possible. Be prepared to carefully document such proposals and be equally prepared that the SHPO will have heard all this before and will offer alternatives to such extensive work.

Historically finished surfaces are considered to be character-defining features, no matter that they are plain, abundant, and boring. Be prepared for the NPS to say no to any proposed trendy conversions of historically finished spaces that require removing finishes and exposing the raw structure beneath that was never intended to be seen during the building's period of significance.

Remember that the SHPO/NPS reviewers understand that a viable new use for a historic building is important in retaining it for future generations to enjoy. Also be aware however, that the historic preservation tax incentives were developed to encourage the preservation of the significant character of the building and that it is the responsibility of the SHPO/NPS to ensure that the public is presented with a finished product that keeps a building's historic character and values intact.

### **Additional**

- State recommendations are generally followed, but by law all final certification decisions are made by the NPS on the behalf of the Secretary. Therefore it is important to keep in mind that occasionally the NPS decision may differ from that of the SHPO. Review is not complete until the NPS has replied in writing to the owner.
- Owners who undertake rehabilitation projects without prior approval from the NPS do so at their own risk that the work may be denied or need to be redone. That is why it is important to file as early as possible. Certification is based on whether the overall project meets the Standards.
- The underlying concern expressed in the *Standards* is the preservation of significant historic materials and features of a building in the process of rehabilitation.

## **12 + 1 COMMON THINGS THAT WILL DELAY YOUR TAX INCENTIVES APPLICATION** (in no particular order)

1. Not thoroughly reading the instructions that accompany the application forms.
  2. Not submitting “before” photos of the building, both exterior and interior, taken prior to any work being done.
  3. Including only a few photographs or not photographing all the areas where work will be done, or not labeling the photos on the back, or not referencing the photos to the description of work blocks and to the drawings.
  4. Taking interior photos without sufficient lighting so that the prints are too dark, or taking photos of the exterior with strong shadows across the elevations.
  5. Providing only close-up photos and omitting overviews of the exterior walls or interior spaces where the close-ups are located.
  6. Submitting digital photos that are poorly printed or of such low resolution that details of the building are lost--35 mm photos are preferred for detail clarity.
  7. Omitting elevations or necessary sections when submitting the drawing sets.
  8. Not fully describing the work to be done so that the reviewer does not understand what will be affected and how.
  9. When there are questions, waiting until everyone on the design team has finalized (and committed to) their ideas and preferred alternative, and then calling the SHPO.
  10. Not filing an amendment when the previously approved descriptions of work changes, or site discoveries require a revision of the scope of the project.
  11. Amendment or continuation sheets missing information such as the amendment number and a synopsis of the new work or proposed modifications being submitted.
  12. Binding the application forms and the supporting documentation, rather than submitting them as loose sheets. This is counter to NPS archival requirements.
- + 1.** Forgetting to have the owner sign (and date) both copies of the Part 2 cover sheet (or the amendment or continuation sheet).